

Postemployment Benefits Other Than Pensions Historical Perspective

Discussion of accounting for post employment benefits other than pensions began around year 2000. In 2002, the County Commission acknowledged that the accounting requirements were going to change and the County had a very large accumulated cost. Several resolutions were approved in 2002 to start reducing this future cost.

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". For Shelby County, these requirements are effective for the fiscal year beginning July 1, 2007.

After extensive research of the requirements and how other governments were addressing these requirements, we requested an actuarial valuation based on July 1, 2005 data. This valuation used a 3% discount rate and calculated our unfunded actuarial accrued liability to be \$615,885,299 and our annual required contribution to be \$64,635,483. This information was provided to the County Commission and the Uniform Personnel Policy Committee (UPPC).

In light of the size of these numbers, the actuaries were asked to address a number of options changing eligibility and cost sharing to see the impact of such changes. This report was received in April 2006 and was the basis for discussions both internally and externally regarding how to balance between maintaining good retirement benefits at a cost the County could afford. Preliminary information was provided to the County Commission at their Orientation Retreat in the Fall 2006.

In August 2006, we asked the actuaries to prepare a new actuarial valuation based on data as of July 1, 2006. This valuation report was issued November 20, 2006. The increase in short-term interest rates since 2005 allowed them to increase the discount rate to 4%. The change in the discount rate, along with updated data resulted in an unfunded actuarial accrued liability of \$488,506,000 and an annual required contribution of \$49,052,000. We then asked the actuaries to also provide a report showing a number of different scenarios which was issued December 8, 2006.

On January 8, 2007, results of the November 20, 2006 valuation report and the various scenarios were presented to the County Commission. This data was also presented to the UPPC on January 18, 2007. On February 12, 2007, the actuarial valuation report and alternatives were presented to the Ad Hoc Committee on Benefit and Retirement Issues for Employees of Shelby County Government. This Committee asked that an additional alternative be developed that required no increase in annual cost to the County. On March 19, the information requested was presented to this Ad Hoc Committee. At the request of the Committee, another alternative was developed for both life insurance and for health insurance and are included in the data now available on the County's website. The next Committee meeting is scheduled on June 4, 2007 at 12:30.